



PRESIDENT JUNCKER'S STATE OF THE UNION ADDRESS 2017

Proposals for the future of Europe that
can be implemented on the basis of the Lisbon Treaty

In his 2017 State of the Union Address delivered on 13 September 2017, President Juncker set out his view for the future of Europe by 2025. This factsheet explains how President Juncker's proposals can be achieved making full use of the potential of the Lisbon Treaty. Together with the State of the Union Address, President Juncker presented a detailed Letter of Intent with concrete legislative and non-legislative proposals how to implement the initiatives announced in his Address. These will be launched by the Commission in 2017/2018 with a 2025 perspective, having the European Parliament elections of May/June 2019 in mind as an important rendez-vous with democracy for the European Union.

President Juncker's State of the Union
Address of 13 September 2017

Explained



QUALIFIED MAJORITY VOTING IN THE SINGLE MARKET

'When it comes to important single market questions, I want decisions in the Council to be taken more often and more easily by qualified majority – with the equal involvement of the European Parliament.'

Initiatives with a 2025 perspective, as set out in President Juncker's Letter of Intent of 13 September 2017

'Communication on the possibility of further enhancing the use of qualified majority voting and of the ordinary legislative procedure in internal market matters, on the basis of Article 48 (7) TEU.'

ENERGY

Article 192 (2) TFEU provides for the possibility to apply the ordinary legislative procedure to provisions primarily of a fiscal nature including measures significantly affecting a Member State's choice between different energy sources and the general structure of its energy supply. This would have to be agreed unanimously by the Council on the basis of a Commission proposal and after consultation of the European Parliament.

SOCIAL

In specific areas of social policy, unanimity is currently required. These include the protection of workers when contracts are terminated, the collective defence of the interests of workers and employers, and conditions of employment for legal, third-country migrants. **Article 153 (2) TFEU** allows these three areas to move to the ordinary legislative procedure if the Council agrees unanimously on a proposal from the European Commission and after consulting the European Parliament.

TAXATION

Article 48 (7) TEU — the general passerelle clause of the Treaties — allows to switch from unanimity to qualified majority voting or from the special legislative procedure to the ordinary legislative procedure. No national ratifications are needed but the move can be stopped by a veto of one national Parliament. Taxation issues do not all have to be moved to qualified majority voting in one go, they can be moved individually, by themes or types of rates.

To use **Article 48 (7) TEU**, the following conditions have to be satisfied:

- the European Council notifies the national Parliaments of its intention to apply the passerelle clause;
- national Parliaments have 6 months to object and if even one national Parliament objects, the initiative cannot be adopted by the Council;
- the European Parliament is asked for its consent by a majority of its component members;
- the European Council adopts a decision by unanimity.



QUALIFIED MAJORITY VOTING IN FOREIGN POLICY

'I want Member States to look at which foreign policy decisions could be moved from unanimity to qualified majority voting.'

Initiatives with a 2025 perspective, as set out in President Juncker's Letter of Intent of 13 September 2017

'Communication on the possibility of further enhancing the use of qualified majority voting in the Common Foreign Policy, on basis of Article 31 (3) TEU.'

Article 31 (3) TEU provides for the possibility to switch to qualified majority voting in Common Foreign Policy issues. This would have to be agreed unanimously by the European Council and would not include decisions with military or defence implications.



TASKING THE EUROPEAN PUBLIC PROSECUTOR WITH THE FIGHT AGAINST TERRORISM

'I also see a strong case for tasking the new European Public Prosecutor with prosecuting cross-border terrorist crimes.'

Initiatives with a 2025 perspective, as set out in President Juncker's Letter of Intent of 13 September 2017

'Communication on a possible extension of the tasks of the new European Public Prosecutor's Office to include the fight against terrorism, on the basis of Article 86 (4) TFEU.'

Article 86 (4) TFEU provides for the possibility to expand the competences of the European Public Prosecutor, which was initially limited to the fight against fraud to the detriment of the EU budget, to cover the prosecution of cross-border terrorist crimes. This requires a unanimous decision by the European Council after obtaining the consent of the European Parliament and after consulting the European Commission.

€ STRENGTHENING ECONOMIC AND MONETARY UNION

'I believe the ESM should now progressively graduate into a European Monetary Fund which, however, must be firmly anchored in the European Union's rules and competences.'

Initiatives with a 2025 perspective, as set out in President Juncker's Letter of Intent of 13 September 2017

- Transformation of the European Stability Mechanism into a European Monetary Fund
- Creation of a dedicated euro area budget line within the EU budget providing for four functions: (1) structural reform assistance, (2) a stabilisation function, (3) a backstop for the Banking Union, and (4) a convergence instrument to give pre-accession assistance to non-euro area Member States
- Integration of the substance of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union into EU law

EUROPEAN MONETARY FUND

On 6 December, the Commission will propose to transform the European Stability Mechanism into a European Monetary Fund, anchored in the framework of Union law, on the basis of **Article 352 TFEU**.

EURO AREA BUDGET LINE WITHIN THE EU BUDGET

The Commission will propose such a euro area budget line in the context of the normal budgetary procedure within the framework of the Treaties, through an amending budget.

STABILITY, COORDINATION AND GOVERNANCE

Article 16 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG)

which came into force on January 2013 following the ratification by the signatory Member States (all Member States but the United Kingdom, the Czech Republic and Croatia signed this Treaty), stipulates that the substance of this Treaty must be brought into EU law by 2018.

As set out in President Juncker's Letter of Intent, the Commission will make a proposal on this matter on the basis of **Article 126 (14) TFEU**, taking into account the flexibility built into the Stability and Growth Pack by the European Commission since January 2015.



MULTIANNUAL FINANCIAL FRAMEWORK

'An important element will be the budgetary plans the Commission will present in May 2018. Here again we have a choice: either we pursue the European Union's ambitions in the strict framework of the existing budget, or we increase the European Union's budgetary capacity so that it might better reach its ambitions. I am for the second option.'

In May 2018, the Commission will make a proposal for the new Multiannual Financial Framework post-2020 on the basis of **Article 312 (2) TFEU**.



MOVING TO A FULL DEFENCE UNION

'I want us to dedicate further efforts to defence matters. A new European Defence Fund is in the offing. As is a Permanent Structured Cooperation in the area of defence. By 2025 we need a fully-fledged European Defence Union.'

PERMANENT STRUCTURED COOPERATION

Article 42 (6) TEU provides for the possibility for a group of like-minded Member States which have the required operational capabilities to take European defence to the next level, moving away from the current patchwork of bilateral and multilateral military cooperation to more efficient forms of defence integration.

COMMON DEFENCE UNION

Article 42 (2) TEU provides for the progressive framing of a common Union defence policy. This will lead to a Common Defence Union when the European Council, acting unanimously, so decides. This will fully respect any and all Member State obligations to NATO.



COMPLETING SCHENGEN

'If we want to protect our external borders and rightly so strengthen them even more, then we need to open the Schengen area of free movement to Bulgaria and Romania immediately.'

'We should also allow Croatia to become a full Schengen member once all the criteria are met.'

Decisions on enlarging Schengen must be taken on the basis of **Protocol No 19 of the Treaties and on the Schengen acquis** by unanimity of all Member States in the Council, following a positive evaluation by the European Commission on the accession criteria. The Commission made positive evaluations on Bulgaria and Romania in 2009 and 2010 showing that both countries fulfil the necessary conditions to join Schengen. The Commission therefore supports the full accession of these two Member States to the Schengen Area.

An evaluation on Croatia's progress towards meeting the necessary conditions to join Schengen took place throughout 2016. For some areas, Croatia already meets the necessary conditions while for others further improvements are required. The evaluation of the Schengen Information System still needs to be completed by October 2017, and a re-visit in the field of external borders will take place in November 2017. Once all conditions are met, the Commission will make a proposal to the Council for Croatia's accession to the Schengen area.



COMPLETING THE EURO AREA

'The euro is meant to be the single currency of the European Union as a whole. All but two of our Member States are required and entitled to join the euro once they fulfil the conditions.'

All Member States except two (Denmark and the UK) are required to adopt the euro and join the euro area. In addition, 16 Member States (Belgium, Bulgaria, Germany, Greece, Spain, Italy, Cyprus, Lithuania, Luxembourg, Hungary, Malta, Austria, Portugal, Romania, Slovenia and Slovakia) have explicitly declared the euro to be the currency of the European Union in **Declaration No 52 TFEU**.

Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Sweden are not yet part of the euro area but are under the Treaties obliged to join the euro area once they fulfil the criteria. They are referred to as "Member States with a derogation". This derogation is temporary and will be removed once they meet the convergence criteria as set out in **Article 140 (1) TFEU**.

Countries are assessed every two years by the European Commission and the European Central Bank whether they fulfil the criteria. The next evaluation will take place in May 2018.



COMPLETING THE BANKING UNION

'If we want banks to operate under the same rules and under the same supervision across our continent, we should encourage all Member States to join the Banking Union.'

The Banking Union is comprised of all euro area countries and those EU Member States that choose to participate. All countries that adopt the euro in future will automatically become members of the Banking Union.

The non-euro area countries can join by establishing close cooperation with the European Central Bank, in its capacity as supervisor, the Single Supervisory Mechanism. Such close cooperation is established via a decision by the European Central Bank, upon notification of the non-euro area country concerned, and provided that stringent conditions with regard to information exchange and the binding nature of supervisory measures are fulfilled in that country.

In Denmark and Sweden, the national discussions on joining the Banking Union have started in summer 2017.



ENLARGING THE EUROPEAN UNION

'If we want more stability in our neighbourhood, then we must also maintain a credible enlargement perspective for the Western Balkans.'

Initiatives with a 2025 perspective, as set out in President Juncker's Letter of Intent of 13 September 2017

'Strategy for a successful EU accession of Serbia and Montenegro as frontrunner candidates in the Western Balkans (February 2018).'

Under **Article 49 TEU**, any European country that respects and is committed to promoting EU values can apply to become an EU Member State. When negotiations on all the chapters are completed, the terms and conditions — including possible safeguard clauses and transitional arrangements — are incorporated into an accession treaty between the EU Member States and the candidate country. Only after Parliament's consent and the Council's unanimous approval can the accession treaty be signed. It is then submitted for ratification in all EU Member States, in accordance with their constitutional requirements (i.e. ratification by Parliament or referendum).

Montenegro and Serbia are identified by the Commission as frontrunners as they are currently the only candidates from the Western Balkans engaged in accession negotiations. The EU will continue and strengthen its engagement with all partners in the Western Balkans to support them on their way to membership.



MAINTAINING THE LEAD CANDIDATE

'If you want to strengthen European democracy, then you cannot reverse the small democratic progress seen with the creation of lead candidates – 'Spitzenkandidaten'. I would like the experience to be repeated.'

Article 17 (7) TEU states that the European Council must take into account the elections to the European Parliament when proposing a new European Commission President. The decision is taken by qualified majority, after which the candidate must then be elected by the European Parliament by a majority of MEPs.

This was the approach taken following the 2014 European election, after which President Juncker – as lead candidate for the political group with the highest number of votes – was proposed by the European Council and elected by the European Parliament as President of the European Commission.



TRANSNATIONAL LISTS

'I also have sympathy for the idea of having transnational lists in European elections – though I am aware this is an idea more than a few of you disagree with.'

On the basis of **Article 14 (2) TEU**, the exact composition of the European Parliament is to be adopted by unanimous decision of the European Council. The latest apportionment decision was adopted in June 2013, in the run-up to the accession of Croatia as the EU's 28th Member State.

Transnational lists would require ratification by all Member States. **Article 223 (1) TFEU** lays down how transnational lists, or any other changes to European Parliament elections can be done.

The Council, acting unanimously after receiving consent from a majority of MEPs, can lay down new provisions on how MEPs are elected. These would then come into force only once each Member State has ratified the changes in accordance with their respective constitutional requirements.

This is the only idea in President Juncker's Address that would not require Treaty change but ratification by all Member States. That is why President Juncker only expressed sympathy for the idea.



ACHIEVING MORE EFFICIENCY AT THE HELM OF THE EU

'I am calling for efficiency. The Commissioner for economic and financial affairs – ideally also a Vice-President – should assume the role of

Economy and Finance Minister. He or she should also preside the Eurogroup.'

'Europe would function better if we were to merge the Presidents of the European Council and the European Commission.'

Initiatives with a 2025 perspective, as set out in President Juncker's Letter of Intent of 13 September 2017

'Communication on options for enhancing efficiency at the helm of the European Union.'

Communication on the possible creation of a permanent European Minister of Economy and Finance (Article 2 of Protocol No 14) and its institutional implications.'

MERGING THE FUNCTION OF VICE-PRESIDENT OF THE COMMISSION AND THE PRESIDENT OF THE EUROGROUP

Article 2 of Protocol No 14 to the Treaty of Lisbon stipulates that the President of the Eurogroup is elected by a majority of Ministers representing Member States of the euro area. He or she is not required to be a Minister of Finance of a Member State.

MERGING THE FUNCTIONS OF THE PRESIDENT OF THE COMMISSION AND THE PRESIDENT OF THE EUROPEAN COUNCIL

On the basis of **Article 17 (7) TEU**, the European Parliament now elects the President of the Commission by a majority of its members on a proposal from the European Council, acting by a qualified majority and taking into account the outcome of the European elections. On the basis of **Article 15 (5) TEU**, the President of the European Council is elected by a qualified majority of the European Council for a renewable term of 30 months. **Article 15 (6) TEU** stipulates that the President of the European Council cannot hold a **national** office, which means that he or she can hold another **European** office.